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Volume 1

41


1880
1881
1882
1883

1884
1885
v.

TABLE OF CONTENTS

1. Statement concerning the institute.
2. Letter to Mr. Perkins relative to the institute. 1909.
3. The Institute and cooperative banking. 1909.
4. Resolution passed by the national grange. 1910. 2 copies
5. Price Fluctuations in the staples: their influence on the welfare of the state. 1910. 2 copies.
6. Its Labors in behalf of economic betterment. 1910.
7. General introduction to the bulletins of the bureau of agricultural intelligence and of diseases of plants. 1910.
8. Report of the delegation of the U.S. to the general assembly of the institute. 1911.
9. Message from the president of the U.S. concerning creation of institute. 1906.
10. Its influence on economic welfare. 1911.
11. Raiffeisen System of rural cooperative credit, its adaptation and adoption in the U.S. 1912.
12. L'Activite de l'Institut. 1912.
13. Le Present et l'Avenir de l'Institut. 1912.
14. Su Importancia para la America Latina, en especial para Chile. 1913.
15. Message from the president of the U.S. concerning the general assembly of the institute. 1913.
16. Board of Agriculture and fisheries. The Institute- Its objects and its publications. 1913.
17. The Landschaft. Co-operative rural credit. 1913.
18. Pamphlet concerning the institute. 1913.
19. The Way out of the rut. 1913. 2 copies.

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TABLE OF CONTENTS (cont.)

20. Concerning the international year book of
agricultural statistics. 1913, 1914.
21. Steadying the world's prices of the staples. 1914.
22. Proposal for an international conference on the
regulation and control of ocean carriage by means
of an international commerce commission.....
23. Concerning the fourth volume of the International
year-book of agricultural legislation. 1915.
24. Letter to Senator Hiram W. Johnson on the work of
the institute. 1918.
25. Our foreign trade after the war. 1918.
- 26.

Reply to a Communication from H. E. O. Molina

Minister of Agriculture of Mexico

The Work of the International Institute of Agriculture

Price Fluctuations in the Staples: their influence on the welfare of the State.

Rome, December 7th, 1910.

Excellency:

I have received your valued comments of October 25th on the communication to the Director of the Census of the United States of May 26th, of which I sent you a copy.

In that communication I tried to show the importance of authoritative information on the world's supply of the staples of agriculture. I tried to show what bearing authoritative, comparable, and wide-spread knowledge of the expansion and contraction of the world's supply would have on the general welfare. I tried to show that as a means towards that general welfare the International Institute of Agriculture had been established, and had organized its international crop-reporting service, and that authoritative information of the world's supply, spread broad-cast by the Institute, would tend to lessen price fluctuations, thereby promoting that economic stability so essential to the welfare of the State.

In contradistinction to this you start out in your comments by saying that:

"The Department of Agriculture of Mexico is of opinion that the Institute in Rome has been organized to serve the interests of commerce and manufactures, rather than the interests of Agriculture."

and you emphasize this by further saying that:

"the chief end of the Institute is almost exclusively to serve the interests of the great dealers in grain."

If these statements are to be accepted as final, what then? Would there be any further use for the International Institute of Agriculture? You say that there would be. You say:

"A comparative statement showing the measures adopted by the different countries tending to retain their efficient labourers on the soil, would contribute more to the development of agriculture than investigations as to the world's supply of the staples."

... "The transition from great estates to small holdings is the fundamental problem of European agriculture, and it is the cardinal point in the agricultural progress of Latin America, and, more particularly, of Mexico." ... "The sound development of agriculture depends solely upon the greatest possible increase in the number of small land-owning farmers."

Crystalising your conclusions, you would seem to favor the ownership of small subdivisions rather than the large estate; the many farmers rather than the concentration of property in the hands of the few. Well, this is good; it is good not alone from an economic but also from a political standpoint, for the small land-owning farmers are, above all others, the great conservative element in the State.

Unfortunately, however, you fail to show how your proposed increase in the number of small land-owning farmers can be brought about; and you further fail to show how, after obtaining them, you would retain them on their farms.

I believe you will admit that the increase in the number of small land-owners and their retention on their farms depends primarily upon the net returns they receive for their products. And are not these net returns governed by the world's price? How, then, is the world's price arrived at? Of course, you will reply, it is arrived at by a knowledge of the world's supply.

The World's Supply.

But how shall this knowledge of the world's supply be obtained? Shall it be obtained as the result of private information, or shall it be obtained officially and authoritatively through the Institute?

Seemingly you do not favor that the Institute do this work; it would, therefore, have to be done by private agencies. So, then, the private agencies are to be masters of the factor which goes to make the world's price; therefore masters of the home price; therefore masters of the prices which shall govern the economic status of your small land-owning farmers. And, under such conditions, what guarantee would you have for the increase in number, or retention on their farms of your small land-owners after you had got them?

Your guarantee would have to show:

First: that the various private crop-reporting agencies are really in a position to collect continuously the information as to the supply from all the world;

Second: it would have to show that the information collected by these various agencies does not conflict; that it is not contradictory; that it tallies; that the reports of the different agencies agree one with the other;

Third: it would have to show that these various private agencies can be depended on to give out, and in a form so plain as to be generally understood, the information on the world's supply as it is, and to do this without change, colour or bias. In other words, are they in a position to give out the facts, the whole facts, and nothing but the facts?

If these three points can be guaranteed, your position would then be tenable. It would then be unnecessary for the Institute to busy itself with crop-reporting work. It could then concentrate its efforts on some plan toward promoting "the transition from great estates to small holdings."

And now let us see whether the three points just indicated can be guaranteed.

First: as to the private crop-reporting agencies, are they really in a position to collect the information as to the supply from all the world? Let us see: to do this each of these agencies would have to possess a network of organization for this purpose in every country in the world. Nor is this all, but this net-work would have to be extended to every province, every county, every township in each of the countries, much the same as the American Department of Agriculture has in operation for its crop-reporting service in the United States. But, can it be shown that any private crop-reporting agency anywhere has such a world service? Certainly not, for, to begin with, the millions of money required to render such a world service effective are prohibitive for any private company. But in the case of the Institute the objection of expense is removed, for, being an international Government institution it receives its crop-reporting data direct from the Governments of the adhering nations, free of cost.

Do They Agree?

Now let us take up the second point: Do the reports, such as they are, of the various private crop-reporting agencies agree one with the other? On this head let me quote from page 7 of the Report to the General Assembly of the Institute (December, 1909), presented on behalf of the Permanent Committee by the delegate of the German Empire. In his presentation of the table showing the differences in the private reports, he says:

"Let us now calculate the differences in the amounts estimated for the several countries. In Russia the variations in the estimated wheat crop amounted

to 19 per cent, that is to say, in the case of the estimated crop for Russia in 1909, a difference of from 35 000 000 to 40 000 000 quintals, representing a value of from 17 000 000 dollars to 20 000 000 dollars at the price of 5 dollars a quintal. For the United States the difference amounted to 5 $\frac{1}{2}$ per cent, equivalent, on a crop estimated at 196 000 000 quintals, to nearly 10 000 000 quintals, worth some 50 000 000 dollars. Lastly, Italy, with a difference of 13.7 per cent, would, if we estimate her crop at 48 000 000 quintals, figure in the calculations for the world's markets with 6 700 000 quintals, worth about 31 200 000 dollars, in plus or in minus, according as the figures of the bulls or the bears won the confidence of the commercial world."

And here let it be understood that the differences commented upon in the above paragraph, are only for three countries and for one staple, and it will then be seen what influence the total of such differences would exercise when reckoned for all the staples and for the whole world.

The significance of these differences in relation to the home price of a staple will be manifest when it is considered that the home price is determined by the world's price, and that the world's price is governed by the reports of the total world's supply.

And now for the third point: Can the several private agencies be depended on to give the information on the world's supply as it actually is, and in a form which can be readily understood by all; can they be relied on to give the facts, the whole facts, and nothing but the facts?

It would seem to me that this third point has already been answered, for it has just been shown that it is beyond the power of private agencies to have the complete world service required for collecting the information on the world supply. But the most conclusive evidence of the inadequacy of private agencies for world crop-reporting is the fact of the founding of the International Institute of Agriculture. This Institute was established by the nations for the very purpose of being the authoritative, competent, and impartial reporter of the world's supply, to do a work which has to be done, and which they recognized can not be done by private agency.

This, in substance, was the position taken by me in the letter to the Director of the Census which you are criticising; and this position you seemingly brush aside by the following assertions:

"Agriculturists are seldom ruined by oscillations in the price of agricultural produce."

"The losses which agriculturists sometimes suffer by selling their crops at a price lower than that justified by facts, are partly compensated by the higher prices which they secure on other occasions."

And you go on to state that a knowledge of the supply is of little importance to the farmer, as he is "forced to sell at the price offered him by the great dealer."

The Deduction.

What deduction may we then draw from your conclusions if we are to consider them as final? What other than this: that the producers everywhere are fated to take part in a great world gambling game, in a world Monte Carlo. The producers are compelled to sit around the table and to put up, as stakes, their produce. The game is conducted by the dealers, and the producers must accept the consequences of that game. Sometimes the dealers forget to load their dice or mark their cards and the game goes against them, and they lose and the producer gains; but, more generally, the dealer does not forget; he sees to it that his dice are loaded, that his cards are marked, that his statements are biassed, and with craft and cunning he impells the tendency which, in the end, brings the price his way. And so the game goes on.

But what kind of a game have we here? Does it not seem to you a game of transcendent wickedness, of infinite injustice?

And here come the Governments of the world, with their attempts to offset the manifold effects of this wickedness, of this injustice; attempts to overcome it by protective tariffs, by measures of socialistic State-aid, and by measures granting special privileges; attempts to rectify by national means, the evil of this great international gambling system, of this world Monte Carlo. But such efforts must ever fall far short of the mark, and must always prove mere palliatives so long as the treatment prescribed tinkers with the effects and neglects to grapple with the cause.

Of what avail can these palliatives be so long as there exists an evil in the economic condition which transmits in all directions, like a giant dynamo, an infinite number of price-disturbing waves, unsettling the very foundations of economic stability, and permeating the entire social structure; disturbing waves which culminate in violent price fluctuations, periodically generating crises, panics, and unrest? For it must be remembered that the price of the staples of agriculture determines not alone the status of the capital and labor of the land, but — as these staples are the raw material of manufactures — it likewise determines the status of the capital and labor of the factory.

The Welfare of the State.

And what question can be of greater importance to the life of a nation than this one, which so vitally affects the status of the capital and labor of both the farm and the factory?

While, on the one hand, the land of the farm and the buildings of the factory are among the most obvious examples in the physical world of

stability, unnecessary fluctuations in the price of the staples of agriculture tend, on the other hand, in the world of economics, to render the capital and labor of the land and the capital and labor of the factory the typical examples of instability, an instability which permeates the entire social structure. And the effects of this instability make themselves manifest in political unrest, thus swelling the measure of armaments and penal institutions, the Peace advocates notwithstanding.

That all this is generally recognized is evidenced by the proceedings of the Conference, held in Rome in 1905, which decided the founding of this Institute.

Accordingly, that Conference concluded that the chief work of the Institute is to be that of crop-reporting. Therefore, the adhering nations are supplying the Institute with their crop-reporting data, and in a prescribed, uniform manner. This enables the Institute to synchronise the information, and then crystalise the same into a total for the world, just as is done by the American Department of Agriculture for the crop-reports of the United States.

This total for the world is given in percentage form, a form which was made known by the American Secretary of Agriculture under the designation of the "Single Numérical Statement."

The Single Numerical Statement.

The general knowledge of this "Single Numerical Statement" for the world will mark a decided step forward in economic evolutionary progress.

So long as the farmer, in order to get an inkling of the condition of the market, has in some way to decipher, to interpret, words like "dubious outlook," "flourishing," "likely deficiency," "probable surplus," "bad prospects," "brilliant crops," and so forth, so long is he in the dark. So long as he is compelled to choose between different conflicting statements; to add up fifty or more lines of figures, running into the hundreds of millions; to mathematically "weight" the data from each country, in order to arrive at what the world's price, and, consequently, what his home price, ought to be; so long is it absolutely impossible for him to know anything more about the price than what the local dealer is pleased to tell him, or than what his local newspaper may set forth, so long will he be "forced to sell at the price offered him by the great dealer."

But, with the "Single Numerical Statement," mathematically worked out for him by the Institute from official information, supplied direct by the Governments, the farmer has a knowledge of the world's supply equal to that of the most expert dealer in the world. Not alone the farmer that can think, that can calculate; but, likewise, the simple and unlettered.

While this farmer could form no conception of the story of the price without the "Single Numerical Statement" for the world's total; with it, he can grasp at once what is meant by the statement: "last year the world's wheat crop was 100, this year it is 98," that is to say 2% less than last year. When he knows this, and the other essential price-forming factors, likewise to be furnished him as "Single Numerical Statements," the Institute will then complete the circuit of world information by making it equally easy for him to find out what this difference means for his home price when translated into terms of dollars and cents.

With this information even the most ignorant farmer will have that knowledge which will give him the power to protect his interests, and in a far clearer and more certain form than the most intelligent farmer in the world has it to-day.

The Service.

The Institute is now beginning to give this information. It started its world-crop-reporting service in January 1910; in July it gave the first "Single Numerical Statement" of production for 6 countries; in August the number increased to 11, in September to 14, in October to 21, and in November the "Single Numerical Statement" was given for 24 countries, including almost all the producing countries of the Northern Hemisphere. And if Mexico would but exert its official influence with its neighbour countries of South America, urging them to perfect their crop-reporting systems as rapidly as possible, it would, by that means, hasten on the materialisation of this important service by completing the circuit of information.

When this service is completed "how to increase the number of small land-owning farmers and retain them on their farms" will no longer be an economic problem. The small land-owning farmers will then have a fighting chance to maintain themselves. There will then be room for their expansion; and, with that expansion, there will then ensue that increased stability of the State which it is the aim of Statesmen to bring about and to maintain.

With the assurance of my high esteem, I have the honor to remain,

Very sincerely yours,

DAVID LUBIN,

Delegate of the United States,
International Institute of Agriculture, Rome, Italy.

INTERNATIONAL INSTITUTE OF AGRICULTURE

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3	Austria	I	V. DE POZZI.
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PUBLICATIONS BY THE INSTITUTE.

1. BULLETIN OF AGRICULTURAL STATISTICS (Crop-Reporter). Monthly.
2. BULLETIN OF ECONOMIC AND SOCIAL INTELLIGENCE (Agricultural co-operation and credit). Monthly.
3. BULLETIN OF AGRICULTURAL INTELLIGENCE AND DISEASES OF PLANTS. Monthly.
4. BIBLIOGRAPHICAL BULLETIN OF THE INSTITUTE.

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THE INTERNATIONAL INSTITUTE

OF AGRICULTURE Δ Δ Δ Δ Δ

ITS LABORS IN BEHALF OF ECO=

NOMIC BETTERMENT Δ Δ Δ Δ

From the *Corriere della Sera*,

Milan, Nov. 7, 1910 Δ Δ Δ Δ

